Manitoba

Annual Report
1999 - 2000

Manitoba Farm Mediation Board

Includes 10% post-consumer waste

Minister of
Agriculture

Room 165
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

To His Honour
Peter Liba
Lieutenant Governor for
the Province of Manitoba

Your Honour:

I have the honour to submit herewith the Report of the Manitoba Farm Mediation Board for the period April 1, 1999 to March 31, 2000.

Yours truly,

Rosann Wowchuk

Rosann Wowchuk
Minister

Manitoba

Agriculture

Manitoba Farm Mediation Board
816 - 401 York Avenue
Winnipeg, Manitoba
R3C 0P8

Honourable Rosann Wowchuk
Minister of Agriculture & Food
165 Legislative Building
Winnipeg, Manitoba, CANADA
R3C OV8

Dear Ms. Wowchuk:

In accordance with the provisions of the Family Farm Protection Act, I have the honour to forward to you The Annual Report of the Manitoba Farm Mediation Board for the fiscal year ending March 31, 2000.

Respectfully submitted,

Kenneth Caldwell
Chairperson
Manitoba Farm Mediation Board

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BOARD MEMBERSHIP

(as at March 31, 2000)

Name		Address
William E. Harrison	Chairman	Holmfield
Owen McAuley	Vice-Chairman	McAuley
Don Dewar	Member	Dauphin
Hugh Jameson	Member	Brandon
John Loewen	Member	Winnipeg
Elsie Steinke	Member	Brunkild
Melvin Watt	Member	Reston
Glenn Young	Member	Cypress River

General Comments

The Manitoba farm economy varied in 1999/2000, depending on the type of enterprise. Grain producers saw a steady decline in oilseed prices and continued relatively low prices for cereal crops. Livestock producers saw improved returns, particularly with hogs which started with very low prices in early 1999 moving to more profitable prices by the end of the year. Beef cattle prices remained strong throughout the year. Southwest Manitoba suffered from excessive rainfall in the spring. Over a million acres could not be seeded, and much of what did get seeded was late and yields were low. Other areas of the province had very good growing conditions.

The federal and provincial governments announced the Agricultural Income Disaster Assistance (AIDA) program to help provide relief from disastrous swings in farm income. In response to the excessive rainfall, the Manitoba government provided assistance for custom seeding, unseeded acreage, forage restoration and hay shortfall in addition to AIDA. In February 2000 the two levels of government announced a $100 million program (CMAP) for producers to offset higher freight costs and low grain prices. The Manitoba government also provided funds through Manitoba Agricultural Credit Corporation (MACC) for producers in need, to refinance operating credit at reasonable rates.

As grain prices decline, more and more producers are asking about the long term prospects for the industry. Over the years, the general decline in commodity prices in real terms tended to be partially offset by technology and management which has been continually evolving. The decline in grain and oilseed margins has been accelerated in Manitoba, however, since the elimination of transportation subsidies. The full effect of this change is only now starting to be felt. The situation has been worsened by competition from countries, such as Europe and the U.S., that subsidize their producers heavily. At the same time, crop input and equipment costs continue to increase.

The current market situation is such that for most crops, average production will not cover average operating costs, let alone provide a return to capital and management. Even a short term return to higher prices would not be enough to generate adequate returns to justify substantial investment in equipment or land. As a result, the Board is seeing many producers scale back grain production, replacing that income with livestock or off farm revenue.

The past year saw a shift in profitability toward livestock production as opposed to grain. It remains to be seen if this change will result in acres being converted to forage or feed grain productions. From the Board's perspective, however, it is becoming increasingly difficult to develop viable plans that do not incorporate some income from enterprises other than grain production.

As always, producers will be faced with change as a continuous factor in their operations. With this in mind, the Board will continue to assist producers where possible to meet their financial goals.

OBJECTIVE

The Manitoba Farm Mediation Board (the Board) administers *The Family Farm Protection Act*, the objective of which is to aid farmers in protecting and sustaining their agricultural operations through difficult economic times.

THE FAMILY FARM PROTECTION ACT

The Family Farm Protection Act was assented to by the Manitoba Legislative Assembly on September 10, 1986.

Part 3 of the Act requires the courts to allow the Manitoba Farm Mediation Board ninety (90) days to mediate a settlement between a farmer and a creditor prior to ruling on leave to foreclose on farmland. Part 6 of the Act provides for voluntary mediation by the Board through a peer advisory committee.

The Act is a basis for facilitating improved communication between creditors and farm debtors, ensuring that individual farmers receive fair and consistent treatment. Through mediation, alternatives are explored to develop viable financial proposals to the mutual benefit of all concerned.

ACTIVITY

Through consultation and mediation with farmers and their creditors, the Board tries to assist farmers in sustaining and improving their financial situation during difficult financial times. The Board reviews individual cases, provides management recommendations, and tries to mediate arrangements which leave farmers with a viable plan.

The Board also provides loan and lease guarantees, if necessary, to assist with mediated settlements. The provision and annual renewal of a guarantee is based on a viable financial plan, and an agreement from the farmers to meet performance conditions including budgeting, record keeping, risk management and proactive financial planning. The Board annually reviews the farm's progress in efforts to ensure that the farm remains viable and that the performance conditions are met.

In 2000/01 the Manitoba Farm Mediation Board plans to continue to:

- receive and provide mediation services on Applications for Leave to Foreclose and on applications for a Peer Advisory Review,
- consider new guarantees of loan and lease payments and/or security, in order to facilitate completion of mediated settlements,
- review and consult on the financial progress of farmers that have existing guarantees, and to consider renewals of existing guarantees, and
- conduct regular meetings to consider the provision of guarantees and to improve upon the effectiveness and efficiency of the mediation process.

OPERATIONS

PART 3: APPLICATIONS FOR LEAVE

One of the Board's functions is to become involved in foreclosure proceedings. Under Part 3 of the Act, a lender who intends to foreclose on farmland must make application to the Court of Queen's Bench to obtain Leave to Foreclose. Copies of the application must be served upon the farmer and the Manitoba Farm Mediation Board within 30 days. The Board then has up to 90 days to analyze the case, conduct mediation with the farmer and lender in the pursuit of achieving an alternative to foreclosure, and to prepare a report for the Court.

PART 6: PEER ADVISORY PANELS

Under Part 6 of the Act, a farmer or a creditor may apply to the Board to have a Peer Advisory Panel review the financial arrangements between the farmer and any or all of the creditors of the farmer. The purpose is to derive a suitable financial plan or to arrange for payment to the creditors, without mediation having to be initiated by legal proceedings.

JOINT OPERATIONS WITH THE FARM DEBT MEDIATION SERVICE

In some cases, the creditor or the farmer has decided to make applications to both the Manitoba Farm Mediation Board and the federal Farm Debt Mediation Service. The two agencies have had a working relationship, in which applications made to both are processed at the same time. The Boards have shared the services of financial advisors and have held joint hearings, resulting in substantial cost and time savings.

APPLICATION ACTIVITIES

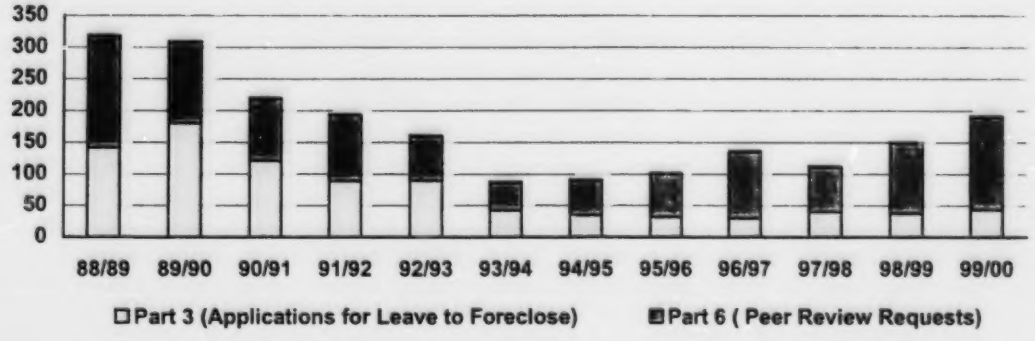
In 1999/00, the Board received 191 applications, representing 178 different farms. 175 of these farms were new cases to the Board, while the other 3 were already involved in mediation. Since its inception, the Board has received 2,409 applications representing approximately 1,794 farms.

Application levels decreased substantially from 1988/89 to 1993/94, but have been increasing since then (see Table 1 and Figure 1). Part 3 applications have remained low (30 – 44) since 1993/94 while the increase in the number of Part 6 applications has been fairly steady, from 44 in 1993/94 to 147 in 1999/00.

TABLE 1 – Applications Received

	1988/ 1989	1989/ 1990	1990/ 1991	1991/ 1992	1992/ 1993	1993/ 1994	1994/ 1995	1995/ 1996	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000
Part 3	142	180	121	89	90	43	35	32	30	40	38	44
Part 6	177	129	99	105	71	44	56	69	106	72	112	147
Total	319	309	220	194	161	87	91	101	136	112	150	191

Figure 1 - Applications Received



Applications were received from all four agricultural regions of the province in 1999/00. There was a somewhat higher percentage from the Southwest in 1999/00 when compared to the long term percentage for the same region (see Table 2). Some of this increase can be attributed to flooding in the area in the spring of 1999, which led to a lack of inventory to cover basic operating requirements.

TABLE 2 – Location of Farms Involved in Mediation

Agricultural Region	------- 1999/00 ------- No.	% of Total	-- Total, 1988/89 - 1999/00 -- No.	% of Total
Central	42	23.6%	403	22.5%
Eastern/Interlake	30	16.9%	431	24.0%
Northwest	30	16.9%	384	21.4%
Southwest	76	42.7%	576	32.1%
Total	178		1,794	

MEDIATION ACTIVITIES

The Board measures the effectiveness of mediation by recording the results at the conclusion of each case. The case is closed when a settlement is achieved or when the panel chair determines that a settlement is not possible at that time. All applications received while a case is open are considered part of the same case, so a single case may have more than one application.

The settlements achieved through the mediation process continued to be reasonably high (77%) in 1999/00. As a large number of applications were being dealt with at the beginning of the fiscal year, the number of cases still in progress fell to 77 as of March 31, 2000 compared to 97 at the end of 1998/99.

TABLE 3 - Case Activity

	1997/98	1998/99 [R]	1999/00
Carryover from previous year	79	46	97
New cases opened	87	134	177
Total for Mediation	166	180	274
Cases Completed	120	83	197
Mediation in Progress	46	97	77

[R] Revised from prior report

TABLE 4 – Settlements Achieved

	1997/98	1998/99 [R]	1999/00
Cases Completed	120	83	197
Mediation not required*	19	19	47
Mediated	101	64	150
Settlements achieved	87	50	116
	(86%)	(78%)	(77%)

* includes withdrawn and deferred applications.
[R] Revised from prior report

AGREEMENT REGISTRY

The Act requires the Board to maintain a registry for agreements made between farmers and their creditors without the participation of the Board. Agreements reached by the Board are kept on file and are not entered in the Agreement Registry. There have been 24 agreements registered since inception of the program. There were no new agreements registered in the Agreement Registry in 1999/00.

GUARANTEES (SPECIAL FARM ASSISTANCE FUND)

The Special Farm Assistance Fund, delivered through five programs, is designed to enable a farmer to obtain the necessary financing or lease to complete a debt settlement and continue farming. It provides a safety net to farmers who can demonstrate viability but may still be vulnerable to negative financial changes in the short term after debt settlement. These programs are provided on a guarantee basis and cover future shortfalls for up to four years.

Before a guarantee is provided, the Board attempts to ensure all factors are considered in devising a viable plan. Once a guarantee is in place, the Board annually reviews the farmer's progress, recommending adjustments when necessary and discusses major financial transactions with the farmer before these transactions are made. The annual reviews include a detailed financial analysis and assistance to the farmer to develop and maintain a financial management record system.

Repayment is only required if a farmer sells his farmland within 5 years of assistance being provided and is limited to the amount of equity in the land. This is secured by placing a caveat on the farmer's land.

The five programs are:

		Maximum Guarantee
Program 1	Guarantee of Loan Payment	$10,000 per year
Program 2	Guarantee of Lease Payments	$10,000 per year
Program 3	Guarantee of Security Value	$40,000
Program 1:3	Combination of Programs 1 & 3	$40,000
Program 4	Emergency operating assistance	$10,000

During the 1999/00 fiscal year, the Manitoba Farm Mediation Board approved guarantees for 48 farm clients for a total of $1,514,486 (see Table 4).

TABLE 4 - Guarantees Approved in 1999/00

Year Payment Due	Program 1	Program 2	Program 1:3	Program 3	Program 4	Total
1999/00	$52,818	$0	$0	$0	$0	$52,818
2000/01	$339,622	$0	$20,000	$0	$0	$366,618
2001/02	$346,622	$0	$30,000	$0	$0	$376,622
2002/03	$346,622	$0	$20,000	$0	$0	$366,622
2003/04	$304.804	$0	$20,000	$6,996	$0	$324,804
2004/05	$17,000	$0	$10,000	$0	$0	$27,000
TOTAL	**$1,407,488**	**$0**	**$100,000**	**$6,996**	**$0**	**$1,514,486**
No. of Farmers	44	---	3	1	---	48

Annual Review of Guarantees

In 1999/00, 35 farms with a total of 37 guarantees were reviewed as required by the program guarantee guidelines. Of these, 26 farmers were able to meet their financial obligations without calling on the guarantee. The province was required to make partial or full payment on the guarantees for the other 9 farms during the year for a total of $58,481 (see Figure 2 and Table 5).

The Board received $5,000 in 1999/00 from the producers under the repayment terms of the guarantees.

TABLE 5 Guarantee Liability vs. Payments Made

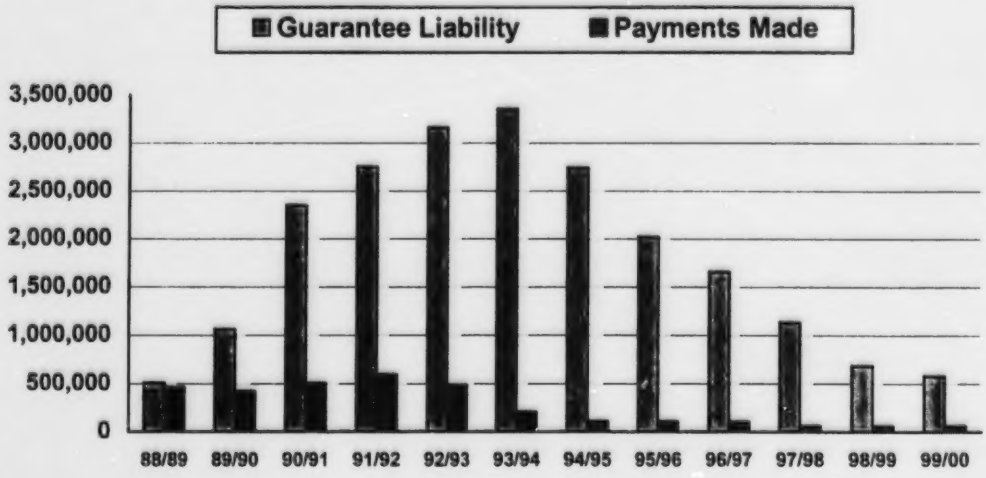
Year	Guarantee Liability	Payments Made*	% Paid
1999/00	$581,153	$58,481	10.1%
1998/99	$686,182	$56,069	8.2%
1997/98	$1,134,274	$58,271	5.1%
1996/97	$1,657,006	$101,700	6.1%
1995/96	$2,020,137	$107,989	5.3%
1994/95 R	$2,741,245	$106,291	3.9%
1993/94 R	$3,354,264	$205,457	6.1%
1992/93 R	$3,159,969	$478,733	15.1%
1991/92 R	$2,754,254	$593,180	21.5%
1990/91 R	$2,350,385	$505,155	21.5%
1989/90 R	$1,064,666	$419,767	39.4%
1988/89 R	$511,036	$464,085	90.8%
1987/88 R	$50,578	NIL	
TOTAL**	**$11,228,431**	**$3,096,697**	**27.6%**

* Total payouts. Since 1987, the Board has also been repaid a total of $153,637 under provisions of the guarantee agreements.

** As some guarantees remain for several years, the total liability since inception of the Board is less than the sum of the liability for individual years.

R Revised from previous reports. Prior to 1995/96, guarantee liability under Program 3 was recorded when a guarantee was approved, however some guarantees were cancelled or rescinded before an agreement was implemented. Guarantee liability shown includes only guarantees actually implemented.

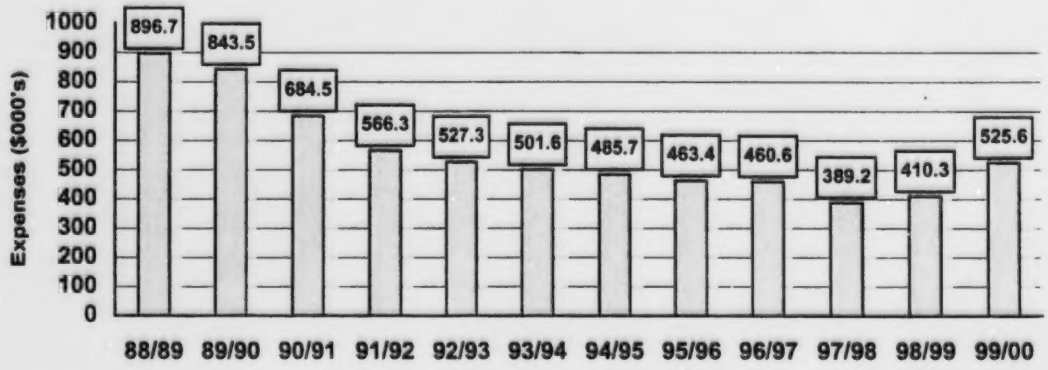
FIGURE 2 Guarantee Liability/Payments Made



OPERATING EXPENSES

The Manitoba Farm Mediation Board's operating budget is, for the most part, used to cover the costs of mediation on applications and administration of the guarantee programs. An increase in expenditures was incurred in 1999/00 to deal with the increase in number of applications made for assistance.

FIGURE 3 Administrative Expenses



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